MONTHLY REVIEW – MARCH 2026

Dear Clients, Colleagues and Partners

OUR PERSPECTIVE

“The hottest places in hell are reserved for those who, in times of great moral crisis, maintain their neutrality.” ~ Dante Alighieri, Dante’s *Inferno*

War rarely begins with recession. It begins with interruption. A tanker route is threatened, an energy artery is questioned, insurance costs surge, freight is repriced, and suddenly the market is forced to rediscover a truth it had seemingly forgotten. Peace was embedded in every supply chain, every valuation, and every inflation forecast. The first effect is not collapse, but scarcity. The second is inflation. Only later comes the visible economic damage.

That is the sequence history teaches. The great oil shocks of the 1970s did not begin with recession. They began with a supply shock, then an inflation shock, then a prolonged period in which households absorbed the blow through falling real incomes and corporates absorbed it through margin compression. Policymakers hesitated. They have to. How can one support consumers when inflation is rising? Recession came later. It always does.

That is why the road forward is so dangerous. It is not binary. It is path dependent. In the near term, the most likely outcome is not immediate collapse, but a grinding repricing of vulnerability. Energy costs soar. Inflation expectations rise. Consumers feel poorer. Companies discover that pricing power is not infinite. Central banks then face the old stagflationary nightmare in a new and more fragile world: inflation is too high to ease aggressively, but growth is too weak to tighten without consequence.

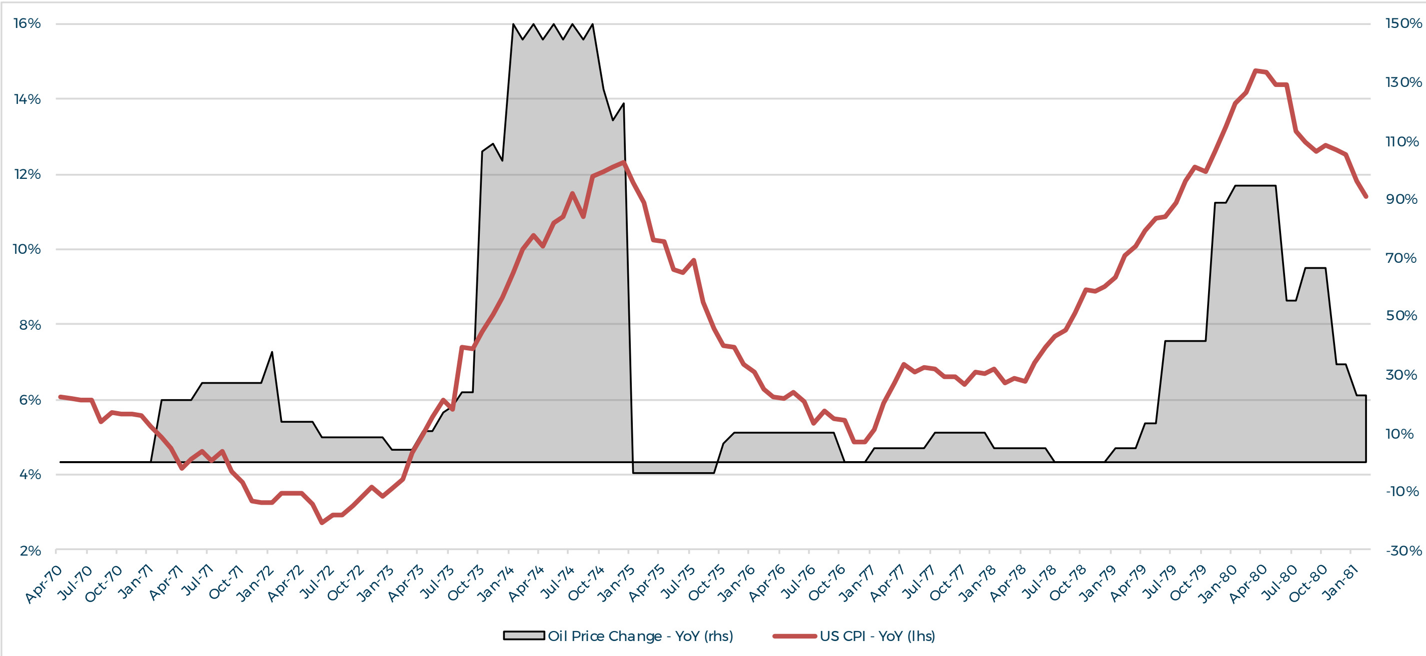
And this is where the Fiscal Age becomes decisive. As we argue in our recent paper, we are no longer living in an era of monetary dominance, but one in which debt, demographics and political incentives increasingly subordinate central banks to fiscal necessity. The world is moving toward larger deficits, structurally higher state liabilities, greater inflation volatility, and the quiet erosion of monetary credibility. In that environment, the question is not whether policymakers remember Volcker. It is whether they can afford to behave like him.

> ***Stagflation*** is an economy suffering from weak or falling growth, rising unemployment, and persistent inflation at the same time. It is difficult for policymakers because measures to fight inflation can worsen recession, while policies to boost growth can in turn make inflation worse.

Our view is that, medium- to long-term, they likely cannot. That leaves the most probable path as some form of financial repression: real rates held below inflation for extended periods, regulatory incentives pushing savings into sovereign debt, and the slow dilution of purchasing power used as the least visible form of default. Our Fiscal Age paper makes the point plainly: this is how debt burdens are most likely “resolved” — not through austerity, but through monetary dilution and recurring volatility.

That is why gold becomes so valuable now. Gold is not merely a hedge against inflation. It is protection against policy hesitation, fiscal dominance and the loss of trust that follows when states become too indebted to defend the value of their currency. In the Permanent Portfolio framework, gold and inflation-linked bonds sit precisely where they should: in the quadrant that protects against currency devaluation and loss of confidence. In an era defined by inflation volatility, energy scarcity and political uncertainty, gold stops being optional and starts looking indispensable.

***Exhibit 1:** The oil price shocks of the 1970's was a major driver of inflation at the time.*



Source: Bloomberg L.P., Shard Capital, 31/03/2026

***Exhibit 2:** 1-year, 2-year, and 5-year inflation swaps remain surprisingly low. Perhaps an understanding of the US energy independence or perhaps a misunderstanding of DJT's ultimate objectives?*

Source: Bloomberg L.P., 01/04/2026

MARKET REVIEW

Deflationary Boom Assets

Risk assets endured a brutal March as the Iran war and the disruption around the Strait of Hormuz triggered a historic energy shock. Brent surged 63.29%, the Bloomberg Energy Spot Index rose 36.89%, and investors rapidly repriced the risks of higher inflation, weaker margins and fewer rate cuts. World equities fell (-7.07%, USD), with Europe ex-UK (-10.55%, USD), Japan (-12.07%, USD) and EM (-12.26%, USD) hit hardest, while the US proved relatively resilient at (-4.92%, USD). India was the weakest major market (-15.08%, USD), while the Magnificent 7 (-5.65%, USD) and world growth (-7.30%, USD) again lagged value (-6.76%, USD), reflecting both rich starting valuations and the pressure of higher discount rates. Credit also weakened, though less dramatically than equities: US corporates fell -1.98%, sterling corporates -3.51%, and EM hard-currency debt -2.89%.

Deflationary Bust Assets

Government bonds failed to provide much shelter. Global sovereign markets sold off as the oil shock lifted inflation expectations and reduced confidence that central banks could ease meaningfully. The Fed kept rates at 3.50%-3.75%, the ECB left rates unchanged while warning that the Middle East war created upside inflation risks and downside growth risks, and the Bank of England also held at 3.75%. Against that backdrop, US Treasuries fell -1.74%, gilts -4.28% and Euro government bonds -2.63%. In short, duration struggled because the market feared stagflation more than recession.

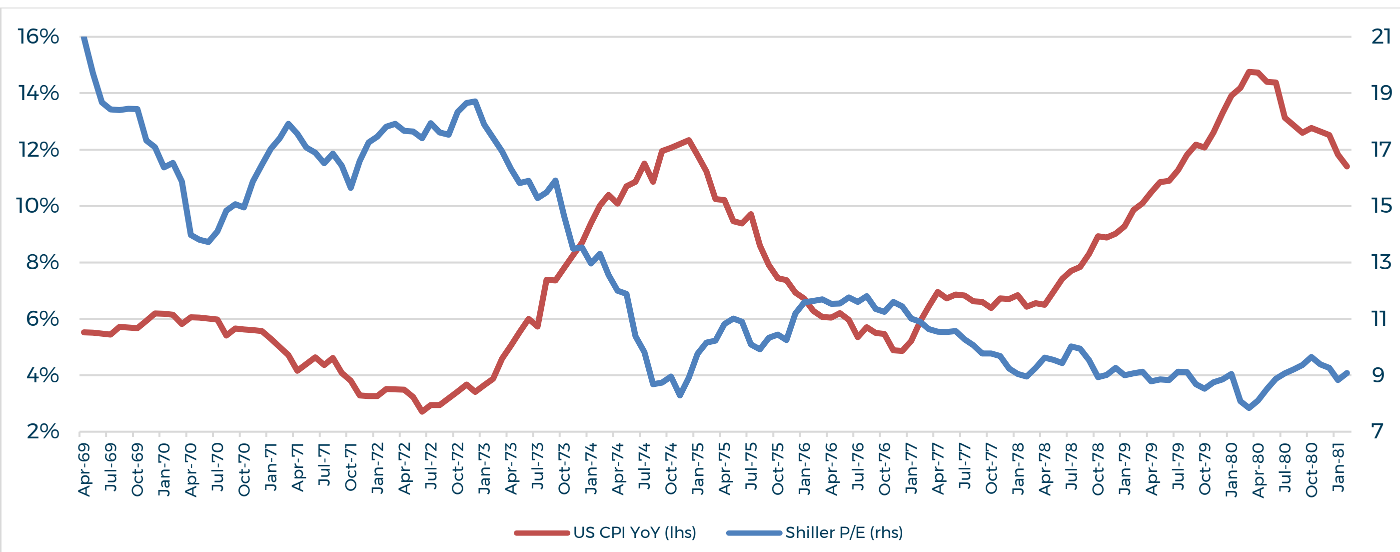
Inflationary Boom Assets

This was the month's clear winner. Oil and energy led everything higher as supply fears dominated, with Brent posting its biggest monthly rise since 1988. Copper fell -7.80%, suggesting the market was pricing the inflationary shock first and the demand destruction later. Managed futures were mildly negative on the month, with the SG CTA Index at -0.53% and the SG Trend Index at -1.16%, likely reflecting violent reversals as markets swung between escalation and hopes of de-escalation.

Inflationary Bust Assets

Precious metals corrected sharply, with gold down -11.57% and the Bloomberg Precious Metals Spot Index down -12.73%, even as inflation-linked bonds held up better than nominal government debt. That combination reflects the month's core tension: rising oil pushed breakeven rates higher, helping linkers, but higher real yields, a firmer dollar and reduced expectations of near-term rate cuts hit gold after a very strong run into the shock. US TIPS fell just -1.34%, versus -1.74% for Treasuries, while Euro inflation-linked bonds fell -0.98%, comfortably ahead of nominal Euro government bonds.

Exhibit 3: A reminder that inflation crush market multiples! The S&P 500 Shiller P/E is 38x.



Source: www.multpl.com, Robert Shiller, Bloomberg L.P., Shard Capital, 31/03/2026

ASSET ALLOCATION

The below tables set out our current tactical asset allocation views and the investment thesis behind these.

	Positioning	Investment Thesis
FIXED INCOME		
DM – Government Bonds	NEUTRAL	Whilst inflation risks resulting from strong liquidity, M2 growth, and interest rate risks from a supply-demand mismatch and term-premia for longer duration U.S. Treasuries remain, we note the disinflationary trend and downside risks to economic growth. We recommend an overweight position in government bonds, both nominal and inflation linked. We still find short-dated US TIPS attractive with high real rates relative to history. Duration in the U.K. Gilt market looks more attractive as we believe long-term growth and inflation expectations remain too high.
DM – Corporate Bonds	UNDERWEIGHT	The risk-reward profile remains unattractive given tight credit spreads and macroeconomic risks.
EMD – Government Bonds	OVERWEIGHT	The weaker US Dollar and attractive yields have boosted EM Govt bonds, especially local currency bonds over the past 12 months. Whilst we remain broadly positive on the sector, near term uncertainty will be a major headwind.
EMD – Corporate Bonds	NEUTRAL	Risks include negative economic shock, FX-mismatch. Attractive security specific / RV opportunities, where we prefer high quality, short-duration and hard-currency credit, which offers attractive yields with lower relative risk.
ALTERNATIVES		
Property & Infrastructure	NEUTRAL	We retain conviction behind infrastructure, especially in digital infrastructure and electrification where attractive and sustainable tailwinds persist. We believe infrastructure that provides long-term CF's and inflation protection offer attractive opportunities at current levels. Property markets remain uncertain and less attractive. Whilst there are perhaps niche / specific property assets with attractive characteristics, cap rates and valuations broadly do not reflect a higher interest rate regime we entered post-pandemic.
Commodities	OVERWEIGHT	We remain positive on precious metals, in particular gold, as geopolitical and economic uncertainty remains high, with optionality driven by policy missteps. Uncertain near term supply chains, energy security, climate change, Asian growth, and AI-driven long-term demand characteristics, all privde tailwinds to energy prices and despite the recent rally, opportunities to increase exposure to the energy complex remain in pace.
Private Equity	UNDERWEIGHT	Listed PE is always vulnerable to liquidity risks during periods of increased market dislocations. Furthermore, the risks of a high cost-of-capital and difficulties in refinancing we believe are not fully reflected in private markets. We remain Underweight.
Alternative Strategies	OVERWEIGHT	Uncertainty behind inflation and economic growth drive the opportunity for uncorrelated investment propositions, e.g. Hedge Funds. However, investors should consider the absolute opportunity relative to T-Bills. Attractive strategy specific opportunities exist with i) lower volatility, ii) uncorrelated profiles, iii) attractive risk-adjusted return expectations, and iv) long-volatility pay-off profile. We are especially bullish on CTA's and trend-following Managed Futures.

	Positioning	Investment Thesis
DEVELOPED MARKET EQUITY		
North America	**UNDERWEIGHT**	US equity market outperformance over the last 15 years has been significantly supported by multiple expansion, and valuations remain elevated on both absolute and relative levels. Despite the longer-term benefits from the AI revolution, we believe risks to profit margins remain significant. Whilst valuations in small and midcaps looks marginally more attractive, policy uncertainty and weakening sentiment we believe are major headwinds to U.S. small and midcaps.
UK	**NEUTRAL**	Whilst equity valuations, especially in the small and midcap market are attractive, political uncertainty, deteriorating economic outlook and inflation risks remain material. We retain a preference for high quality and stability and note the opportunity in small and midcap companies.
Europe ex-UK	**NEUTRAL**	Whilst FX and Stagflation risks remain material, we belief the changing European fiscal regime represents a major macroeconomic and policy shift in European policy. Valuations remain relatively attractive; however, we note a preference for quality and pricing power.
Japan	**OVERWEIGHT**	Attractive valuation, macroeconomic tailwinds and ongoing market reform all underpin the opportunity in Japan. Corporate Japan's strong balance sheet and low valuations make for attractive risk-reward profile. We believe the Japanese Yen is significantly undervalued, and exposure to Japan should not be hedged.
EMERGING MARKET EQUITY		
Asia ex-Japan & China	**OVERWEIGHT**	We retain a preference for Asian emerging economies over non-Asian EM, driven by better fundamentals and lower reliance on externalities. However, we note the risks of contagion as China embark on a local deleveraging cycle and economic growth slows. India remains one of our highest conviction opportunities in the region, but valuations are stretched.
China	**OVERWEIGHT**	Overly pessimistic outlook and sentiment towards China are reflected in valuations. Whilst question marks with regards to demographics, real estate, debt, policy and alignment remain, sentiment is showing signs of turning less negative. The risk-reward remain very attractive, and selectively attractive long-term opportunities have emerged.
Latin America	**OVERWEIGHT**	The changing political and macroeconomic environment, specifically the benefits from the 'near-shoring' of supply chains and the consequences of deteriorating China-US relations, creates attractive opportunities in Central and South America. Some uncertainty remains in the near term from US-policy and the outlook for global growth.
EMEA	**UNDERWEIGHT**	Preference for Asia & Latin America.

"Qui Curat Vincit"

CONTACT US

For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

LeifBridge Investment Services
Shard Capital Partners
Floor 6, 51 Lime Street,
London, EC3M 7DQ
United Kingdom

Telephone: +44(0)20 7186 9900
Email: info@leifbridge.com
Web: www.leifbridge.com/

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